



Rebecca S. Bachelder
Director, Customer Care

AllEnergy Marketing Company, L.L.C.
95 Sawyer Road
Waltham, Massachusetts 02453
Telephone: 781-906-2264
Fax: 781 906-2001
E-mail: rbachelder@allenergy.com

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Ms. Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: **D.T.E. 01-49, Investigation by the Department regarding the promulgation of rules or the amendment of existing regulations concerning the Cost of Gas Adjustment Clause, 220 C.M.R. 6.00 et. seq.**

Dear Ms. Cottrell,

AllEnergy Gas & Electric Marketing Company hereby submits its comments in D.T.E. 01-49. Enclosed are an original and 15 copies of our comments along with an electronic file of the comments in Word 2000. We appreciate the opportunity to present our comments on the future of the CGA. Our responses to the Department's questions follow below.

- 1) *Whether the Department should promulgate rules that would require LDCs to submit CGA filings more frequently than semi-annually. If yes, how often should LDCs be required to submit requests for the recovery of supply costs?*

AllEnergy believes that it would be appropriate to move to a monthly CGA filing under current wholesale market conditions. This would reduce the level of gas cost deferrals and would give more appropriate price signals to customers. LDCs should maintain the seasonality of demand charges as prescribed in the regulations today. However, we would suggest that LDCs use forecast gas costs each month to calculate the amount of commodity cost to be recovered. LDCs could use the most up to date forecast volumes available for the particular month as well as the most recently forecast commodity prices.

LDC prices also serve as the "cost to compare" for customers who are shopping in the competitive market. Monthly prices will create fewer distortions in the LDC's price. Historically, out of date commodity costs, as well as price distortions created by the return of large annual reconciliation balances, have created situations where suppliers are shut out of the market for a period of time because of the lag between the time that market prices go up and LDC prices reflect market price changes. Additionally, the current CGA mechanism is very difficult to predict. There is no forecast index mechanism that correlates to the CGA.

More frequent filings are less likely to result in price shocks to customers. They will also reflect prices associated with events that are occurring at the time, so create less customer confusion than delaying the impact

a year. If market prices come down next winter, customers may want to know why their prices from the utility do not reflect the same decreases at the same time utilities are attempting to collect this year's gas deferrals.

The monthly filing should be formulaic and filed as close to the end of the month as is administratively feasible for both the LDC and the Department. A formulaic approach will make the calculation easy to review and will also make it non-controversial. Since LDCs already make monthly reporting submissions to the Department related to their respective deferred gas cost balance, it should not pose too great a burden for the LDC to recalculate the gas adjustment factor. In many cases, if they see prices varying greatly from the forecast they originally submit, they would probably recalculate most of the items required for a filing anyway.

- 2) *Whether, under current regulations, LDCs can petition the Department to allow for an adjustment to the GAF more frequently than on a semi-annual basis.*

Current Regulations allow LDCs to petition the Department for increases in the GAF. Absent a monthly GAF, LDCs should continue to be allowed to petition for market based increases or decreases in their prices for the same reasons they should be required to calculate their GAFs monthly.

- 3) *Whether, under the current regulations, the Department, on its own motion, may require LDCs to file for the recovery of gas costs more frequently than on a semi-annual basis.*

The Department should always have the right to review LDC prices, and if necessary to require them to file more frequently than semi-annually to recover gas costs. It should be a rare occasion when the Department requires an LDC to file before the LDC petitions the Department itself.

AllEnergy appreciates the Department's inclusion of licensed suppliers in its request for comments. The additional dialog may present a different perspective that the Department may not have otherwise received.

Sincerely,

Rebecca Bachelder